



# Testimony

## HB 1923

### Need to Study Supply Chains in Texas

#### *Testimony Submitted for HB 1923 to Texas House International Relations & Economic Development Committee*

by Vance Ginn, PhD, Chief Economist

Chair Button and Members of the Committee:

My name is Vance Ginn, and I am chief economist at the Texas Public Policy Foundation. Thank you for the opportunity to testify in support of [HB 1923](#), which would require a study and published report on local and state supply chain disruptions caused by the COVID-19 pandemic by September 1, 2022. Considering the influence on Texas that the COVID-19 pandemic and governmental decisions had on domestic and global supply chains, this study is important to help Texans understand the effects of these supply chains on our health and prosperity.

#### Trade Matters

Trade is an essential part of prosperity. It allows for people who do not otherwise know each other to come together to mutually benefit from exchanging goods and services. It reminds me of the Leonard Reed essay “[I, Pencil](#)” that notes how no one person knows how to produce a pencil because its different parts are produced by individuals across the globe before it reaches the consumer. [Domestic and international trade are key](#) in a globalized world. History provides ample evidence that increased trade with few government barriers to exchanges between individuals—not governments or countries—works best to satisfy their desires and support greater economic prosperity.

#### Texas Dominates Trade in U.S.

Texas (gross state product of [\\$1.8 trillion](#)) is the [9th largest economy](#) in the world (excluding California), behind Italy and ahead of Brazil, and 2nd largest U.S. state next to only California ([\\$2.8 trillion](#)). Texas has [led the U.S. in overall exports](#) for 19 straight years and [led in exports of tech products](#) for 8 consecutive years. A plurality of Texas exports goes to Mexico (about one third), Canada (about 8%), and China (about 6%). Texas is also a [dominant player in imports](#), with about 35% of its imports coming from Mexico and about 11% from China.

#### COVID-19 and Supply Chains

The COVID-19 pandemic brought concerns regarding the supply chain for things like personal protective equipment (PPE), toilet paper, and prescription drugs. Texans and other Americans faced a shortage of these products as many were made outside of the country. This outcome was a result of elevated demand and restricted supply without a well-functioning price system through market activity because of government actions in many cases. There were also limitations on imports of some products and from several countries imposed by President Trump based on factors dealing with the pandemic. While these products may best be provided elsewhere and the actions by President Trump may have been necessary, supply chains and market-determined prices are essential to our daily lives and must be well understood.

#### Recommendations

The importance of trade, supply chains, and future health and economic issues in Texas should be evaluated so entrepreneurs and governments can better deal with complications. Suggested improvements to the bill include

- Expanding the study to include supply chain information and disruptions not only for the COVID-19 pandemic but also in general, and an analysis of governmental disruptions of the production process from shutdowns and other restraints for information on the challenges and opportunities we may face in the future.
- Requiring that the report be published online so that Texans and other interested parties may have access to it.

I appreciate your work and look forward to seeing the passage of the bill and resulting study. ★

## ABOUT THE AUTHOR



**Vance Ginn, PhD**, is chief economist at the Texas Public Policy Foundation, a 501(c)3 non-profit, non-partisan research institute in Austin. He served as associate director for economic policy at the White House's Office of Management and Budget, taught at several universities, and earned a doctorate in economics at Texas Tech University.

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